

**WAWATAM TOWNSHIP  
EMMET COUNTY, MICHIGAN**

Financial Statements  
For the Year Ended  
March 31, 2008

**Prepared By:**

Richard E. Mahlmeister, C.P.A., P.C.  
580 South Nicolet, P.O.Box 996  
Mackinaw City, MI 49701

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.06)

Unit Name* Wawatam Township	County* EMMET	Type* TOWNSHIP	MuniCode* 24-1-150
Opinion Date-Use Calendar* Sep 19, 2008	Audit Submitted-Use Calendar* Sep 23, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Auditors of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin)?
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies?
	<input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> ? \$ 160,079.00
General Fund Expenditure:	<input type="checkbox"/> ? \$ 156,122.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> ? \$ 190,226.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> ? \$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Richard E.	Last Name* Mahlmeister	Ten Digit License Number* 1101017351		
CPA Street Address* P.O. Box 996	City* Mackinaw City	State* MI	Zip Code* 49701	Telephone* +1 (231) 436-5223
CPA Firm Name* Richard E. Mahlmeister, CPA	Unit's Street Address* P.O. Box 577	Unit's City* Mackinaw City	Unit's Zip* 49701	

***WAWATAM TOWNSHIP***

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INDEPENDENT AUDITOR'S REPORT

September 19, 2008

Township Board  
Wawatam Township  
Emmet County, Michigan

I have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of **Wawatam Township, Emmet County, Michigan**, as of and for the year ended March 31, 2008, which collectively comprise **Wawatam Township's** basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Wawatam Township's** management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of **Wawatam Township, Emmet County, Michigan**, as of March 31, 2008, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 1 through 5 and 21 through 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.



Richard E. Mahlmeister, CPA  
Richard E. Mahlmeister, CPA, PC

## **WAWATAM TOWNSHIP**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2008. Please read it in conjunction with the financial statements, which immediately follow this section.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

#### **FINANCIAL HIGHLIGHTS**

Assets at March 31, 2008 totaled \$198,364 for governmental activities. Of the total, \$7,895 represents capital assets, net of depreciation.

Revenues derived from governmental activities were \$160,656; all from general revenues. Overall expenses for the Township's governmental activities were \$157,314.

Wawatam Township has no debt and capital asset activity is addressed further in a subsequent section of this letter.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year March 31, 2008.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

## **WAWATAM TOWNSHIP**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide statements report information about the Township as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two Government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Township, you may also consider additional factors such as tax base changes, facility conditions, and personnel changes.

Most of the activities are reported as governmental activities. These would include the operations recorded in the General Fund and the Liquor Law Enforcement Fund.

The comparison of net assets of governmental activities from year to year serves to measure a government's financial position:

	<b>Wawatam Township</b>	
	<b>Net Assets</b>	
	<b>March 31,</b>	
	<b>GOVERNMENTAL</b>	
	<b>ACTIVITIES</b>	
<b>Assets:</b>	<b>2008</b>	<b>2007</b>
Current assets	\$190,469	\$186,546
Capital assets (net)	7,895	8,476
Total assets	<u>\$198,364</u>	<u>\$195,022</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	\$7,895	\$8,476
Unrestricted	<u>190,469</u>	<u>186,546</u>
	<u>\$198,364</u>	<u>\$195,022</u>

The most significant portion of the Township's net assets is cash and certificates of deposit. The Township has \$190,469 in unrestricted net assets. These assets represent resources that are available for appropriation, but are limited by policies regarding their use.

## **WAWATAM TOWNSHIP**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The following table summarizes the results of the changes in net assets of the Township:

<b>Wawatam Township</b>		
<b>Change in Net Assets</b>		
<b>March 31,</b>		
<b>GOVERNMENTAL</b>		
<b>ACTIVITIES</b>		
	<b>2008</b>	<b>2007</b>
<b>REVENUES:</b>		
General revenues:		
Property taxes	\$135,954	\$146,795
State-shared revenues	17,402	17,313
Interest income	5,295	4,207
Other	2,005	1,409
Total Revenues	<u>160,656</u>	<u>169,724</u>
<b>EXPENSES:</b>		
Legislative	\$3,012	\$2,649
General government	62,307	66,546
Public safety	15,979	17,125
Public works	68,485	49,599
Recreation and culture	7,531	7,198
Total Expenses	<u>157,314</u>	<u>143,117</u>
<b>NET ASSETS:</b>		
Increase in net assets	3,342	26,607
Beginning Net Assets	<u>195,022</u>	<u>168,415</u>
Ending Net Assets	<u>\$198,364</u>	<u>\$195,022</u>

The Township is able to report positive balances in net assets. Net assets increased by \$3,342, as compared to the prior year increase of \$26,607. This was due mostly to a road improvement project undertaken during the year, which is also why public works expense has increased. Property taxes have decreased due to tax tribunal issues related to personal property taxes, where the Township repaid to various utility company taxpayers prior year taxes based on a lower assessed taxable value. In summary, overall expenses have increased by \$14,197, primarily due to additional road projects undertaken during the current year.

#### **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board may also create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

## **WAWATAM TOWNSHIP**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **FUND FINANCIAL STATEMENTS (CONTINUED)**

The Township has the following types of funds:

##### **Governmental Funds**

Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Township maintains two individual governmental funds; General Fund and Liquor Law Enforcement Fund; of which the General Fund is considered a major fund. The Township funds are financed primarily by both property tax revenue and state shared revenues.

##### **Fiduciary Funds**

The Township acts as a trustee or fiduciary and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Township maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to which the funds belongs. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

#### **FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

##### **Governmental Activities**

The General Fund had an increase in fund balance, primarily due to increases in taxable value and interest rates, even though the Township has undertaken various road projects. The Township continued to provide the same services to its residents: administrative, assessing, elections, township hall maintenance, road maintenance, fire and police protection and tax collection. The General Fund increased its fund balance by \$3,957, bringing the fund balance to \$190,226.

##### **Capital Asset and Debt Administration**

###### **Capital Assets**

At March 31, 2008, the Township had \$50,288 in capital assets, which includes the township hall and office equipment.

###### **Long-Term Debt**

No new debt was incurred during the year, nor is there any other long-term debt.



## **WAWATAM TOWNSHIP**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **BUDGETARY HIGHLIGHTS**

Overall there are no significant differences between the original and actual budget. We did spend less on road improvements that we planned on doing.

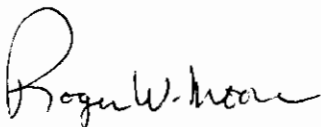
#### **KNOWN FACTORS AFFECTING FUTURE OPERATIONS**

The Township expects financial aspects of governing to be generally the same as in the current year. However, one area of continuing potential revenue reduction is in state-shared revenues. These monies come from the State of Michigan and are contingent on various economic and political considerations. We plan on using the additional millage levied to continue improving various county roads within the Township, including paving of Straits View Drive for approximately \$85,000.

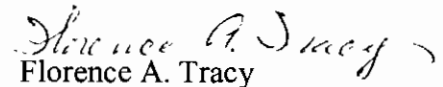
We believe that we need to continue to strive for a healthy fund balance.

#### **CONTACTING TOWNSHIP MANAGEMENT**

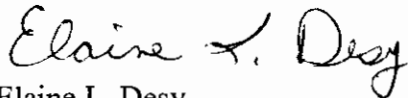
This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact any township official at 231.436.5274 (Wawatam Township Hall).



Roger W. Moore  
Wawatam Township Supervisor



Florence A. Tracy  
Wawatam Township Clerk



Elaine L. Desy  
Wawatam Township Treasurer

## **BASIC FINANCIAL STATEMENTS**

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**WAWATAM TOWNSHIP  
STATEMENT OF NET ASSETS  
MARCH 31, 2008**

<b>ASSETS</b>	<b>GOVERNMENTAL ACTIVITIES</b>
Cash and cash equivalents	\$119,953
Investments	42,102
Taxes receivable	19,856
Due from other governmental units	4,763
Due from fiduciary fund	3,795
Capital assets (net of accumulated depreciation)	<u>7,895</u>
<b>TOTAL ASSETS</b>	<b><u>\$198,364</u></b>
 <b>NET ASSETS</b>	
Invested in capital assets	\$7,895
Unrestricted	<u>190,469</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$198,364</u></b>

The accompanying notes are an integral part of these financial statements.

**WAWATAM TOWNSHIP  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2008**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary government</b>			
<b>Governmental activities</b>			
Legislative	\$3,012	\$ -	\$ -
General government	62,307	-	-
Public safety	15,979	-	-
Public works	68,485	-	-
Recreation and culture	7,531	-	-
<b>Total governmental activities</b>	<b>\$157,314</b>	<b>\$ -</b>	<b>\$ -</b>

General Revenues  
Property taxes  
State-shared revenues  
Unrestricted interest income  
Other

Total general revenues

Change in net assets

Net assets, beginning of year

Net assets, end of year

The accompanying notes are an integral part of these financial statements.

		Net (Expense) Revenue and Changes in Net Assets
		Governmental Activities
Capital Grants and Contributions		TOTAL
	\$ -	(\$3,012)
	-	(62,307)
	-	(15,979)
	-	(68,485)
	-	(7,531)
	\$ -	(157,314)

135,954
17,402
5,295
2,005
160,656
3,342
195,022
\$198,364

## **FUND FINANCIAL STATEMENTS**

**WAWATAM TOWNSHIP**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**MARCH 31, 2008**

<b>ASSETS</b>	<b>GENERAL FUND</b>	<b>NON-MAJOR FUND</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
		<b>LIQUOR LAW ENFORCEMENT FUND</b>	
Cash and cash equivalents	\$119,710	\$243	\$119,953
Investments	42,102	-	42,102
Taxes receivable	19,856	-	19,856
Due from other governmental units	4,763	-	4,763
Due from tax collection fund	3,795	-	3,795
<b>TOTAL ASSETS</b>	<b>\$190,226</b>	<b>\$243</b>	<b>\$190,469</b>
<b>FUND BALANCES</b>			
Unreserved:			
Designated For:			
Subsequent years' expenditures	\$38,678	\$ -	\$38,678
Road improvements	56,826	-	56,826
Building improvements	30,422	-	30,422
Unreserved, undesignated	64,300	243	64,543
<b>TOTAL FUND BALANCES</b>	<b>\$190,226</b>	<b>\$243</b>	<b>\$190,469</b>

The accompanying notes are an integral part of these financial statements.



**WAWATAM TOWNSHIP  
BALANCE SHEET - GOVERNMENTAL FUNDS  
MARCH 31, 2008**

Reconciliation of fund balances on the balance sheets for governmental activities  
to the statement of net assets

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$190,469

Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources and,  
therefore, are not reported in the funds.

Add: capital assets	50,288
Subtract: accumulated depreciation	(42,393)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$198,364

The accompanying notes are an integral part of these financial statements.

**WAWATAM TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	GENERAL FUND	NON-MAJOR FUND LIQUOR LAW ENFORCEMENT FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>			
Taxes	\$135,954	\$ -	\$135,954
State shared revenues	16,825	577	17,402
Interest	5,295	-	5,295
Other	2,005	-	2,005
<b>TOTAL REVENUES</b>	<b>160,079</b>	<b>577</b>	<b>160,656</b>
<b>EXPENDITURES</b>			
Current:			
Legislative	3,012	-	3,012
General government	61,726	-	61,726
Public safety	15,368	611	15,979
Public works	68,485	-	68,485
Recreation and culture	7,531	-	7,531
<b>TOTAL EXPENDITURES</b>	<b>156,122</b>	<b>611</b>	<b>156,733</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,957</b>	<b>(34)</b>	<b>3,923</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>186,269</b>	<b>277</b>	<b>186,546</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$190,226</b>	<b>\$243</b>	<b>\$190,469</b>

The accompanying notes are an integral part of these financial statements.

**WAWATAM TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2008**

Reconciliation of statement of revenues, expenditures and changes in fund balances of  
governmental funds to statement of activities

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** **\$3,923**

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, those costs  
are allocated over their useful lives as annual depreciation expense in the statement  
of activities.

Add: capital outlay capitalized during the current year

Subtract: depreciation expense

-

(581)

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$3,342**

The accompanying notes are an integral part of these financial statements.

**WAWATAM TOWNSHIP  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
MARCH 31, 2008**

	<u>ASSETS</u>	<u>AGENCY FUND</u>
Cash		<u>\$3,795</u>
	<u>LIABILITIES</u>	
Due to other funds		<u>3,795</u>
	<u>NET ASSETS</u>	
Fiduciary Net Assets		<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

## **WAWATAM TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Wawatam Township, Emmet County, Michigan conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the most significant policies.

#### **THE REPORTING ENTITY**

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of the reporting entity includes those of the Township and any component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

#### **GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

##### ***Government-Wide Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements.

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that are not properly included among program revenues are reported instead as general revenue.

## **WAWATAM TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### ***Fund Financial Statements***

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria, based on percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds, for the determination of major funds.

##### **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal year. All other revenue items are considered to be available when the government receives cash.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989.

## **WAWATAM TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **FUND TYPES AND MAJOR FUNDS**

###### ***Governmental Funds***

The Township reports the following major fund:

**General Fund** - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

The Township reports the following special revenue - nonmajor fund:

**Liquor Law Enforcement Fund** - The Liquor Law Enforcement Fund accounts for liquor license fees refunded by the State and utilization for enforcement of the State's liquor laws.

###### ***Fiduciary Funds***

**Trust and Agency Fund** - The Tax Collection Fund is used to account for property taxes collected for the Township and as an agent for other governmental units. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

##### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

##### **INVESTMENTS**

Investments are stated at cost, which approximates market, and consist of certificates of deposit with maturity values of three months or longer.

##### **INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. All receivables are reported at their gross values. Interfund transfers reflect the use of unrestricted revenues collected in the General Fund used to finance programs accounted for in other funds in accordance with budgetary provisions.

##### **ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **WAWATAM TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)** **COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS**

There is no accumulated vacation, sick leave or post-employment benefits to be recognized.

#### **CAPITAL ASSETS**

Capital assets include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are generally defined by the government as assets with an initial individual cost of \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	15 – 50 years
Furniture and equipment	3 – 10 years

#### **LONG-TERM OBLIGATIONS**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures. The Township has no long-term obligations as of March 31, 2008.

#### **FUND EQUITY**

Reserved fund balances for governmental funds indicate that portion of fund equity, which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.



## **WAWATAM TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

##### **Budgetary Information**

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted through passage of a resolution.
4. Budgeted amounts are as originally adopted, or as amended by the Township Board.

The Township Board's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

##### **Excess of Expenditures Over Appropriations in Budgetary Funds**

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, The Township's actual expenditures and budgeted expenditures for the government fund is shown on a functional basis. The approved budgets of the Township were adopted to the activity level. The Township incurred expenditures, which exceeded the amount appropriated as follows:

<b>Fund</b>	<b>Appropriations</b>	<b>Expenditures</b>	<b>Variance</b>
Liquor Law Enforcement	\$578	\$611	\$33

#### **NOTE 3: PROPERTY TAX**

Property tax revenues for the year ended March 31, 2008, reflected in the accompanying financial statements include property taxes levied December 31, 2007. These taxes are due by February 28, 2008, and are added to the County tax rolls after February 28, 2008. The Township will receive 100% payment for the delinquent tax by June, 2008.

The taxable value of the Township totaled \$55,849,698, on which ad valorem taxes consisted of 1.9942 mills for the Township's operating purposes and .2692 mills for emergency services, raising \$112,087 for operating purposes and \$15,071 for emergency services.

**WAWATAM TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: PROPERTY TAX (CONTINUED)**

During the year ended March 31, 2008, the Michigan Tax Tribunal ruled in favor of a group of taxpayers, relative to the taxable base used to determine the personal property tax assessment for the years 2003 through 2008. This judgment required the Township to refund the excess personal property tax for those years, plus interest. The Township agreed to settle the case and has recorded in the financial statements the amount due against its current year property tax revenue. The amount charged to the General Fund was \$11,960.

**NOTE 4: CASH AND CASH EQUIVALENTS**

The caption on the statements of net assets relating to cash and cash equivalents and investments represent deposits in varying amounts as follows:

Cash and cash equivalents	\$123,748
Investments (certificates of deposit)	42,102
	<u>\$165,850</u>

**Custodial Credit Risk – Deposits**

At year-end the carrying amounts of cash and cash equivalents were classified as to risk as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$118,384	\$137,626
Uninsured – uncollateralized	47,466	47,466
	<u>\$165,850</u>	<u>\$185,092</u>

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated level are used as depositories. The Township may experience significant fluctuations in deposit balances through the year.

**Statutory Authority**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan.

# **WAWATAM TOWNSHIP**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 4: CASH AND CASH EQUIVALENTS (CONTINUED)**

#### **Statutory Authority (Continued)**

The Township is allowed to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policy is in accordance with statutory authority.

### **NOTE 5: INTERFUND BALANCES AND TRANSFERS**

The composition of interfund receivables and payables for the year ended March 31, 2008 are as follows:

<b>Fund</b>	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
General	\$3,795	\$ -
Tax Collection	-	3,795
Total	\$3,795	\$3,795

There were no operating transfers for the year ended March 31, 2008.

# WAWATAM TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6: CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

	Balance April 1, 2007	Additions	Deletions	Balance March 31, 2008
<b><u>Not being depreciated:</u></b>				
Land	\$ 2,501	\$ -	\$ -	\$ 2,501
<b><u>Being Depreciated:</u></b>				
Building and Improvements	39,865	-	-	39,865
Furniture and Equipment	7,922	-	-	7,922
Subtotal	50,288	-	-	50,288
Less accumulated depreciation	(41,812)	(581)	-	(42,393)
Total	\$8,476	(\$581)	\$ -	\$7,895

Depreciation was charged to the Township's functions as follows:

General government	<u>\$581</u>
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### NOTE 7: ACT 425 AGREEMENT

The Township entered into a Public Act 425 Agreement with the Village of Mackinaw City. Under the terms of the agreement the Township conditionally transferred an economic development project to the Village. The Village will provide sewer service to the project area. In exchange for the transfer, the Village will share with the Township the revenue generated from one mill on the assessed valuation of the project parcel during the period of the agreement. For the year ended March 31, 2008, the Township received \$2,355 in shared tax revenues

### NOTE 8: RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, suits, complaints and employee injuries. In the opinion of management, all such potential matters are adequately covered by insurance and would not have a significant effect on the financial position or results of operations of the Township. Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

### NOTE 9: COMMITMENTS

The Township is committed under a contract for road improvements in the approximate amount of \$85,000.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**WAWATAM TOWNSHIP  
BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
<b>Taxes:</b>				
Property tax	\$134,800	\$134,800	\$117,555	(\$17,245)
Property taxes - administrative fee	21,500	21,500	18,399	(3,101)
<b>Total taxes</b>	<b>156,300</b>	<b>156,300</b>	<b>135,954</b>	<b>(20,346)</b>
<b>State shared revenues:</b>				
State shared revenues	11,000	11,000	11,351	351
State shared revenues-METRO Act	-	-	867	867
Swampland tax	4,607	4,607	4,607	-
<b>Total state shared revenues</b>	<b>15,607</b>	<b>15,607</b>	<b>16,825</b>	<b>1,218</b>
<b>Interest</b>	<b>2,500</b>	<b>2,500</b>	<b>5,295</b>	<b>2,795</b>
<b>Other revenue</b>	<b>1,650</b>	<b>1,650</b>	<b>2,005</b>	<b>355</b>
<b>TOTAL REVENUES</b>	<b>176,057</b>	<b>176,057</b>	<b>160,079</b>	<b>(15,978)</b>

**WAWATAM TOWNSHIP  
BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
<b>LEGISLATIVE</b>				
Township board	\$3,350	\$3,350	\$3,012	\$338
<b>GENERAL GOVERNMENT</b>				
Supervisor	22,280	22,280	21,948	332
Elections	3,600	3,600	1,328	2,272
Professional services	6,500	6,500	3,500	3,000
Board of review	2,050	2,050	1,109	941
Clerk	9,977	9,977	9,605	372
Treasurer	19,289	19,289	18,952	337
Township property	14,300	14,300	5,284	9,016
<b>TOTAL GENERAL GOVERNMENT</b>	<b>77,996</b>	<b>77,996</b>	<b>61,726</b>	<b>16,270</b>
<b>PUBLIC SAFETY</b>				
Fire and police	18,500	18,500	15,368	3,132
<b>PUBLIC WORKS</b>				
Highways and streets	79,100	79,100	67,837	11,263
Sanitation	1,500	1,500	648	852
<b>TOTAL PUBLIC WORKS</b>	<b>80,600</b>	<b>80,600</b>	<b>68,485</b>	<b>12,115</b>
<b>RECREATION AND CULTURE</b>				
Library	7,000	7,000	6,531	469
Parks	1,000	1,000	1,000	-
<b>TOTAL RECREATION AND CULTURE</b>	<b>8,000</b>	<b>8,000</b>	<b>7,531</b>	<b>469</b>
<b>OTHER FUNCTIONS</b>				
Contingencies and other	10,500	10,500	-	10,500
<b>CAPITAL OUTLAY</b>	<b>2,000</b>	<b>2,000</b>	<b>-</b>	<b>2,000</b>
<b>TOTAL EXPENDITURES</b>	<b>200,946</b>	<b>200,946</b>	<b>156,122</b>	<b>44,824</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(24,889)</b>	<b>(24,889)</b>	<b>3,957</b>	<b>28,846</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>186,269</b>	<b>186,269</b>	<b>186,269</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$161,380</b>	<b>\$161,380</b>	<b>\$190,226</b>	<b>\$28,846</b>

September 19, 2008

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Township Board  
Wawatam Township  
Emmet County, Michigan

I have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Wawatam Township, and have issued my report thereon dated September 19, 2008. Professional standards require that I provide you with the following information related to my audit.

**My Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in my engagement letter dated April 18, 2008, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

**Planned Scope and Timing of the Audit**

I performed the audit according to the planned scope and timing previously communicated to you on August 6, 2008.

**Significant Audit Findings**

**Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Wawatam Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.



Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was determining depreciation expense. I evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

*Difficulties Encountered in Performing the Audit*

I encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

*Management Representations*

I have requested certain representations from management that are included in the management representation letter dated September 19, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

Auditing standards require me to report to you significant audit findings or issues. Following are the significant findings I noted during my audit:

- There is a lack of segregation of duties in the accounting function due to the limited number of accounting personnel. This condition is generally inherent in organizations the size of Wawatam Township, where corrective action is not practical, and to the extent possible, duties are allocated between accounting personnel to mitigate the risk of material asset misappropriation.
- Wawatam Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, and to present required financial statement disclosures. However, small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year-end financial statements.

Additionally I have presented other matters for your consideration in the same letter dated September 19, 2008.

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditor. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to my retention.

This information is intended solely for the use of the Board and management of Wawatam Township and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Richard E. Mahlmeister, C.P.A.  
Richard E. Mahlmeister, C.P.A., P.C.

September 19, 2008

**COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL  
WEAKNESSES IN INTERNAL CONTROL AND OTHER MATTERS**

Township Board  
Wawatam Township  
Emmet County, Michigan

In planning and performing my audit of the financial statements of *Wawatam Township* as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, I considered Wawatam Township's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wawatam Township's internal control. My consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, I do not express an opinion on the effectiveness of Wawatam Township's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies and a deficiency that I consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

I consider the following deficiencies to be significant deficiencies in internal control:

**Lack of Segregation of Duties**

Lack of segregation of duties exists in the accounting function due to the limited number of accounting personnel.

This condition is generally inherent in organizations the size of Wawatam Township, where corrective action is not practical, and to the extent possible, duties are allocated between accounting personnel to mitigate the risk of material asset misappropriation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

I believe the following deficiency constitutes a material weaknesses:

**Financial Statement Preparation**

Wawatam Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, and to present required financial statement disclosures.

However, small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year-end financial statements.

In addition, I noted other matters for your consideration:

**Budgeting**

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2008 *Wawatam Township* incurred expenditures, which exceeded the amount appropriated for Liquor Law Enforcement Fund - Public Safety expenditures, as shown in the body of the financial statements.

Though the Board is reviewing the budget as compared to expenditures, I suggest that the Township Board on a periodic basis, closely review appropriations as compared to actual expenditures and amend the budget as necessary, prior to incurring the expenditures to avoid incurring expenditures in excess of appropriations.

Wawatam Township  
September 19, 2008  
Page 3 (three)

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This communication is intended solely for the information and use of management and the Members of the Board of ***Wawatam Township***, and is not intended to be and should not be used by anyone other than these specified parties.

Thank you for the opportunity to serve ***Wawatam Township***. Best wishes in the next year.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard E. Mahlmeister". The signature is fluid and cursive, with the first name "Richard" and last name "Mahlmeister" clearly distinguishable.

Richard E. Mahlmeister, C.P.A.

Richard E. Mahlmeister, C.P.A., P.C.